

# COMMITTEE REPORT

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## MR. PRESIDENT:

The Senate Committee on Finance, to which was referred House Bill No. 1578, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

- 1       Page 1, between the enacting clause and line 1, begin a new  
2 paragraph and insert:  
3       "SECTION 1. IC 6-1.1-12-18 IS AMENDED TO READ AS  
4 FOLLOWS [EFFECTIVE MARCH 1, 2001 (RETROACTIVE)]: Sec.  
5 18. (a) If the assessed value of residential real property described in  
6 subsection (d) of this section is increased because it has been  
7 rehabilitated, the owner may have deducted from the assessed value of  
8 the property an amount not to exceed the lesser of:  
9       (1) the total increase in assessed value resulting from the  
10       rehabilitation; or  
11       (2) nine thousand dollars (\$9,000) per rehabilitated dwelling unit.  
12 The owner is entitled to this deduction annually for a five (5) year  
13 period.  
14       (b) For purposes of this section, the term "rehabilitation" means  
15 **significant** repairs, replacements, or improvements **to an existing**  
16 **structure** which are intended to increase the livability, utility, safety,  
17 or value of the property ~~and which do not increase the total amount of~~  
18 ~~floor space devoted to residential purposes unless the increase in floor~~  
19 ~~space is required in order to make the building comply with a local~~  
20 ~~housing code or zoning ordinance; under rules adopted by the state~~  
21 **board of tax commissioners.**

(c) For the purposes of this section, the term "owner" or "property owner" includes any person who has the legal obligation, or has otherwise assumed the obligation, to pay the real property taxes on the rehabilitated property.

(d) The deduction provided by this section applies only for the rehabilitation of residential real property which is located within this state and which is described in one (1) of the following classifications:

(1) a single family dwelling if before rehabilitation the assessed value (excluding any exemptions or deductions) of the improvements does not exceed eighteen thousand dollars (\$18,000);

(2) a two (2) family dwelling if before rehabilitation the assessed value (excluding exemptions or deductions) of the improvements does not exceed twenty-four thousand dollars (\$24,000) and

(3) a dwelling with more than two (2) family units if before rehabilitation the assessed value (excluding any exemptions or deductions) of the improvements does not exceed nine thousand dollars (\$9,000) per dwelling unit.

SECTION 2. IC 6-1.1-12-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2001 (RETROACTIVE)]: Sec.

22. (a) If the assessed value of property is increased because it has been rehabilitated and the owner has paid at least ten thousand dollars (\$10,000) for the rehabilitation, the owner is entitled to have deducted from the assessed value of the property an amount equal to fifty percent (50%) of the increase in assessed value resulting from the rehabilitation. The owner is entitled to this deduction annually for a five (5) year period. However, the maximum deduction which a property owner may receive under this section for a particular year is:

(1) sixty thousand dollars (\$60,000) for a single family dwelling unit; or

(2) three hundred thousand dollars (\$300,000) for any other type of property.

(b) For purposes of this section, the term "property" means a building or structure which was erected at least ~~ten (10)~~ **fifty (50)** years before the date of application for the deduction provided by this section. The term "property" does not include land.

(c) For purposes of this section, the term "rehabilitation" means ~~the remodeling, repair, or betterment of property in any manner or any enlargement or extension of property. However, the enlargement or extension of the enclosed floor area of property shall, for computation of the deduction, be limited within a five (5) year period to a total additional enclosed floor area equal to the size of the enclosed floor~~

area of the property on the date of completion of the first extension or enlargement completed after March 1, 1973: significant repairs, replacements, or improvements to an existing structure that are intended to increase the livability, utility, safety, or value of the property under rules adopted by the state board of tax commissioners.

SECTION 3. IC 6-1.1-12-23 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2001 (RETROACTIVE)]: Sec. 23. The deduction from assessed value provided by section 22 of this chapter is first available in the year in which the increase in assessed value resulting from the rehabilitation occurs after the first assessment date following the rehabilitation and shall continue for the taxes first due and payable in the following four (4) five (5) years. In the sixth (6th) year, the county auditor shall add the amount of the deduction to the assessed value of the property. Any general reassessment of real property which occurs within the five (5) year period of the deduction does not affect the amount of the deduction."

Page 2, between lines 30 and 31, begin a new paragraph and insert:

"SECTION 6. IC 6-3.1-22 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]:

**Chapter 22. Residential Historic Rehabilitation Credit**

**Sec. 1. The definitions set forth in:**

- (1) IC 14-8-2 that apply to IC 14-21-1; and
- (2) IC 14-21-1;

apply throughout this chapter.

**Sec. 2. As used in this chapter, "division" means the division of historic preservation and archeology of the department of natural resources.**

**Sec. 3. (a) As used in this chapter, "preservation" means the application of measures to sustain the form, integrity, and material of:**

- (1) a building or structure; or
- (2) the form and vegetative cover of property.

**(b) The term includes stabilization work and the maintenance of historic building materials.**

**Sec. 4. (a) As used in this chapter, "qualified expenditures" means expenditures for preservation or rehabilitation of a structure that enables the structure to be principally used and occupied by the taxpayer as the taxpayer's residence.**

**(b) The term does not include costs that are incurred to do the following:**

- (1) Acquire a property or an interest in a property.
- (2) Pay taxes due on a property.
- (3) Enlarge an existing structure.
- (4) Pay realtor's fees associated with a structure or property.
- (5) Pay paving and landscaping costs.
- (6) Pay sales and marketing costs.

Sec. 5. As used in this chapter, "rehabilitation" means the process of returning a property to a state of utility through repair or alteration that makes possible an efficient contemporary residential use while preserving the parts or features of the property that are significant to the historical, architectural, or archeological values of the property.

Sec. 6. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax) as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 7. As used in this chapter, "taxpayer" means:

- (1) an individual filing a single return; or
- (2) a married couple filing a joint return.

Sec. 8. (a) Subject to section 14 of this chapter, a taxpayer is entitled to a credit against the taxpayer's state tax liability in the taxable year in which the taxpayer completes the preservation or rehabilitation of historic property and obtains the certifications required under section 9 of this chapter.

(b) The amount of the credit is equal to twenty percent (20%) of the qualified expenditures that:

- (1) the taxpayer makes for the preservation or rehabilitation of historic property; and
- (2) are approved by the division.

(c) In the case of a husband and wife who:

- (1) own and rehabilitate a historic property jointly; and
- (2) file separate tax returns;

the husband and wife may take the credit in equal shares or one (1) spouse may take the whole credit.

Sec. 9. A taxpayer qualifies for a credit under section 8 of this chapter if all of the following conditions are met:

- (1) The historic property is:
  - (A) located in Indiana;
  - (B) at least fifty (50) years old; and
  - (C) except as provided in section 8(c) of this chapter, owned by the taxpayer.

1           **(2) The division certifies that the historic property is listed in**  
2           **the register of Indiana historic sites and historic structures.**

3           **(3) The division certifies that the taxpayer submitted a**  
4           **proposed preservation or rehabilitation plan to the division**  
5           **that complies with the standards of the division.**

6           **(4) The division certifies that the preservation or**  
7           **rehabilitation work that is the subject of the credit**  
8           **substantially complies with the proposed plan referred to in**  
9           **subdivision (3).**

10          **(5) The preservation or rehabilitation work is completed in**  
11          **not more than:**

12               **(A) two (2) years; or**

13               **(B) five (5) years if the preservation or rehabilitation plan**  
14               **indicates that the preservation or rehabilitation is initially**  
15               **planned for completion in phases.**

16          **The time in which work must be completed begins when the**  
17          **physical work of construction or destruction in preparation**  
18          **for construction begins.**

19          **(6) The historic property is principally used and occupied by**  
20          **the taxpayer as the taxpayer's residence.**

21          **(7) The qualified expenditures for preservation or**  
22          **rehabilitation of the historic property exceed ten thousand**  
23          **dollars (\$10,000).**

24          **Sec. 10. (a) The division shall provide the certifications referred**  
25          **to in section 9(3) and 9(4) of this chapter if a taxpayer's proposed**  
26          **preservation or rehabilitation plan complies with the standards of**  
27          **the division and the taxpayer's preservation or rehabilitation work**  
28          **complies with the plan.**

29          **(b) The taxpayer may appeal a decision by the division under**  
30          **this chapter to the review board.**

31          **Sec. 11. To obtain a credit under this chapter, a taxpayer must**  
32          **claim the credit on the taxpayer's annual state tax return or**  
33          **returns in the manner prescribed by the department of state**  
34          **revenue. The taxpayer shall submit to the department of state**  
35          **revenue the certifications by the division required under section 9**  
36          **of this chapter and all information that the department of state**  
37          **revenue determines is necessary for the calculation of the credit**  
38          **provided by this chapter.**

39          **Sec. 12. For purposes of IC 6-3, the adjusted basis of the**  
40          **structure shall be reduced by the amount of a credit granted under**  
41          **this chapter.**

42          **Sec. 13. (a) A credit claimed under this chapter shall be**

recaptured from the taxpayer if:

(1) the property is transferred less than five (5) years after completion of the certified preservation or rehabilitation work; or

(2) less than five (5) years after completion of the certified preservation or rehabilitation, additional modifications to the property are undertaken that do not meet the standards of the division.

(b) If the recapture of a credit is required under this section, an amount equal to the credit recaptured shall be added to the tax liability of the taxpayer for the taxable year during which the credit is recaptured.

Sec. 14. (a) If the credit provided by this chapter exceeds a taxpayer's state tax liability for the taxable year for which the credit is first claimed, the excess may be carried over to succeeding taxable years and used as a credit against the tax otherwise due and payable by the taxpayer under IC 6-3 during those taxable years. Each time that the credit is carried over to a succeeding taxable year, the credit is to be reduced by the amount that was used as a credit during the immediately preceding taxable year. The credit provided by this chapter may be carried forward and applied to succeeding taxable years for fifteen (15) taxable years following the unused credit year.

(b) A credit earned by a taxpayer in a particular taxable year shall be applied against the taxpayer's tax liability for that taxable year before any credit carryover is applied against that liability under subsection (a).

(c) A taxpayer is not entitled to any carryback or refund of any unused credit.

Sec. 15. The amount of tax credits allowed under this chapter may not exceed two hundred fifty thousand dollars (\$250,000) in a state fiscal year beginning July 1, 2001, or thereafter.

Sec. 16. The following may adopt rules under IC 4-22-2 to carry out this chapter:

(1) The department of state revenue.

(2) The division."

Page 18, line 1, delete "IC 9-29-6-5.5" and insert "IC 9-29-6-1.5".

Page 21, after line 5, begin a new paragraph and insert:

"SECTION 37. [EFFECTIVE JANUARY 1, 2002] IC 6-3.1-22, as added by this act, applies to taxable years beginning after December 31, 2001.

SECTION 38. An emergency is declared for this act."

- 1       Renumber all SECTIONS consecutively.  
      (Reference is to HB 1578 as reprinted February 28, 2001.)

**and when so amended that said bill do pass .**

Committee Vote: Yeas 15, Nays 0.

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**Senator Borst, Chairperson**